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16 Attorneys for Arizona Public Service Company

17  
18 **BEFORE THE ARIZONA CORPORATION COMMISSION**

19 COMMISSIONERS

20 ROBERT BURNS, Chairman  
21 BOYD DUNN  
22 SANDRA D. KENNEDY  
23 JUSTIN OLSON  
24 LEA MÁRQUEZ PETERSON

25 IN THE MATTER OF THE APPLICATION  
26 OF ARIZONA PUBLIC SERVICE  
27 COMPANY FOR A HEARING TO  
28 DETERMINE THE FAIR VALUE OF THE  
UTILITY PROPERTY OF THE COMPANY  
FOR RATEMAKING PURPOSES, TO FIX  
A JUST AND REASONABLE RATE OF  
RETURN THEREON, TO APPROVE RATE  
SCHEDULES DESIGNED TO DEVELOP  
SUCH RETURN.

DOCKET NO. E-01345A-19-\_\_\_\_

**ARIZONA PUBLIC SERVICE  
COMPANY'S NOTICE OF  
INTENT TO FILE A RATE CASE  
APPLICATION AND REQUEST  
TO OPEN DOCKET**

29 **I. INTRODUCTION**

30 As required by Decision No. 77270 (June 27, 2019), Arizona Public Service  
31 Company (APS or Company) will file, on or before October 31, 2019, an application for  
32 a general rate case seeking to determine the fair value of its property for ratemaking

1 purposes and set a just and reasonable rate of return thereon. By this filing, APS provides  
2 the Arizona Corporation Commission (Commission) and interested stakeholders a 30-day  
3 notice of its intent to file the application and requests that the Commission open a docket  
4 for this matter.

5 APS's application will use adjusted test-year sales and expenses for the Company's  
6 jurisdictional electric operations for the 12 months that ended on June 30, 2019 (Test  
7 Year). This Test Year was established in Decision No. 77270.

8 APS will propose that new rates go into effect on December 1, 2020. This date is  
9 consistent with the administrative rule requiring the Commission to process APS's rate  
10 application within 12 months of the filing of a notice of sufficiency. *See* A.A.C. R14-2-  
11 103(11)(D)(i). Robust stakeholder communication and engagement may help facilitate the  
12 timely processing of a rate application. APS intends to continue its past practice of strong  
13 cooperation with stakeholders to process the rate case effectively. To help achieve this  
14 outcome, APS has conferred with potential parties on key issues and has held two  
15 stakeholder meetings in advance of filing its application to facilitate increased  
16 communication and transparency.

## 17 **II. OVERVIEW OF KEY RATE CASE MATTERS**

18 The central issues that APS intends to address in its rate case filing are:

- 19 • **Residential Rate Design.** The goal is to keep residential rate changes to a  
20 minimum, continue the Commission-directed efforts to provide customer  
21 education focused on rate selection and work to narrow the range of bill  
22 impacts. APS will propose the inclusion of a winter, super off-peak  
23 component to its residential demand rates, analogous to the super off-peak  
24 offered in its standard residential time-of-use rate. APS will also propose a  
25 subscription rate pilot program to study usage for customers on a flat bill.  
26 All customers in this pilot will be placed on a flat bill, determined by the  
27 average monthly cost of their most recent 12 months of usage; some of these  
28

1 customers will also be asked to agree to a level of utility management of  
2 their smart devices.

- 3 • **Limited-Income Programs.** APS will propose increasing funding for its  
4 Crisis Bill program from \$1.25 million annually to \$2.5 million annually.  
5 APS will propose additional opportunities to increase enrollment on its  
6 Energy Support Program (Rate Rider E-3), such as the categorical  
7 enrollment of individuals on certain limited-income support programs.
- 8 • **Commercial and Industrial Rate Design Proposals.** APS, in compliance  
9 with Decision No. 77043 (January 16, 2019), will propose an alternative  
10 generation/buy-through program for medium-size commercial customers.  
11 APS will also propose minor modifications to streamline its streetlight rates  
12 and modify irrigation rates to create separate agricultural and non-  
13 agricultural rates.
- 14 • **Property Tax Deferral.** Similar to how property taxes were treated under  
15 Decision Nos. 73183 (May 24, 2012) and 76295 (August 18, 2017), APS  
16 will be seeking to defer the increase or decrease in its Arizona property taxes  
17 attributable to tax rate changes after the date APS's rate application is  
18 adjudicated.
- 19 • **Post-Test Year Plant Additions Pro Forma Adjustment.** Consistent with  
20 prior proposals and Commission orders, APS intends to include post-Test  
21 Year plant (PTYP) additions as a pro forma adjustment in its rate  
22 application. APS will propose that this pro forma adjustment include PTYP  
23 installed within the 12-month period following the Test Year, so that the  
24 recovery of net capital investments will be concurrent with the proposed rate  
25 effective date. APS will provide a detailed breakout of these investments by  
26 functional operating unit. APS will not include growth related plant within  
27 PTYP consistent with Decision No. 76295.

1 • **Proposed Capital Structure, Cost of Debt and Return on Equity.** In  
2 Decision No. 76295, APS was granted a reasonable return on equity (ROE)  
3 that successfully balanced the interests of APS and its customers. The return  
4 also permitted APS to attract new capital for investment in Arizona and  
5 facilitated financial stability that ultimately benefits customers. The analysis  
6 supporting APS's request will be filed in the Company's application and  
7 direct testimony.

8 • **Fair Value Rate of Return.** A return on fair value rate base will be included  
9 in the filing using the "fair value increment" methodology, as has been done  
10 in the Company's last three rate case proceedings. The actual mechanics of  
11 the calculation are still being developed and will be presented in the  
12 Company's direct testimony.

13 • **Depreciation Study.** APS will file a new depreciation study and will  
14 propose aligning all utility-scale solar plant lives to 30 years.

15 In addition to the topics described above, APS will propose a number of pro forma  
16 adjustments to the Test Year. The full list of adjustments will be described and  
17 documented in the Company's application and associated testimony. The following is a  
18 list of certain expected adjustments:

- |   |   |
|---|---|
| 19 • Adjust Cholla Unit 2 Amortization                          | • Annualize Payroll Expenses                    |
| 20 • West Phoenix Unit 4 Regulatory Disallowance                | • Annualize Property Tax Expense                |
| 21 • Adjust Depreciation Expense                                | • Include Property Tax Deferral Adjustment      |
| 22 • Adjust for Post-Test Year Plant Additions                  | • Annualize Four Corners Coal Reclamation Costs |
| 23 • Adjust Cash Working Capital for Cost of Service Pro Formas | • Normalize Weather Conditions                  |
| 24 • Include Increased Fire Mitigation Efforts                  |   |
| 25  |   |
| 26  |   |
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| 28  |   |

1     **III.   TENTATIVE WITNESS LIST**

2           To support the Company's request, the following is a preliminary witness list for  
3   APS and the general anticipated topics each will address in their testimony:

4		
5	Jeffrey B. Guldner	Overview of Company, Future of
6		the Electric Industry, APS Vision
7		for Moving Forward
8	Barbara D. Lockwood	Overview of the Rate Case, PTYP,
9		Compliance with the Rate Review
10	Bradley J. Albert	Ocotillo Modernization Project,
11		Resource Comparison Proxy
12	Ann Bulkley,	Cost of Capital, ROE, Fair Value
13	Outside Expert	Rate of Return
14	Leland R. Snook	Revenue Requirement, Fair Value,
15		Alternative Formula Rate,
16		Commercial and Industrial Rate
17		Design
18	Jessica E. Hobbick	Cost of Service, Residential Rate
19		Design, including Subscription
20		Rates, Changes to Limited-Income
21		Programs, Service Schedules,
22		Commercial and Industrial Rate
23		Design
24	Elizabeth A. Blankenship	Accounting/SFRs
25		
26	Ronald White,	Depreciation
27	Outside Expert	
28		

21     **IV.   CONCLUSION**

22           APS will file its rate case application on or before October 31, 2019, with a  
23   proposed effective date for new rates of December 1, 2020. APS requests that a docket be  
24   opened in this matter and that the same docket be used when APS files its rate case  
25   application.

1 RESPECTFULLY SUBMITTED this 1st day of October 2019.

2  
3 By: Melissa M. Krueger

4 Melissa M. Krueger

5 Thomas L. Mumaw

6 Theresa Dwyer

7 David Hinkson

8 Rachael Leonard

9 Attorneys for Arizona Public Service Company

10 Electronically filed this 1st day of October 2019, with:

11 Docket Control

12 ARIZONA CORPORATION COMMISSION

13 1200 West Washington Street

14 Phoenix, Arizona 85007

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